

File

Morgan Stanley Risk Management Services
Scenario: Collar Purchase
Indicative Terms

Today's Date:	January 16, 1996
Counterparty:	Client
Underlying:	America Online
Underlying Symbol:	AMER
Current Underlying Price:	\$33.50
Counterparty Position:	Buys Puts & Sells Calls
Quantity:	250,000
Exercise Style:	European
Settlement Type:	Cash
Settlement Price:	Closing Price of Underlying at Expiration

Maturity: June 1, 1997

Put Strike Levels		Call Strike Levels		Credit	
98.51%	(\$33.00)	101.49%	(\$34.00)	2.25%	(\$0.75)

All Levels are quoted as a percentage of Current Stock Price

This term sheet is for indication purposes only and does not constitute an offer to buy or sell securities. Pricing is indicative only and subject to change. Clients are advised to make an independent review regarding the legal, credit, tax, and accounting aspects of any transaction. Over-the-counter options are appropriate for accredited investors only. The above indicative prices are subject to market execution.

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SUMMARY ISDA AGREEMENT

- **What is an ISDA?** This is a master agreement which is generally accepted throughout the securities universe under the auspices of the International Swap Dealers Association ("ISDA").
- **Why is it 40 plus pages long?** It is a master agreement which is customized on a client-by-client basis and covers all potential derivatives transactions which may be undertaken by the client and Morgan Stanley. Consequently, it has definitions and provisions to cover all conceivable contingencies. In other words, much of the ISDA Master Agreement may not apply to the initial transaction between a client and Morgan Stanley, but may apply to future transactions.
- **What does the ISDA Master Agreement do?** Together with the **confirmation** (which sets forth the specific terms applicable to the transaction), the ISDA Master Agreement sets forth the general and specific economic terms of the relationship between the client and Morgan Stanley including:
 - + Specifies payment dates, payment currency; permits netting of amounts due between parties; provides terms applicable to late payments.
 - + Sets out representations of status (such as corporate formation and good standing, if applicable); capacity and authority to undertake transactions.
 - + Sets forth defaults such as: failure to pay when due; failure to perform other obligations; misrepresentations; rejection or repudiation of the transaction.
 - + Sets forth "termination events" which may cause the termination of the transaction or may permit one party to terminate. Such events include: a change in law making the transaction unlawful; a tax being imposed on the transaction; or an event of default occurring.
 - + Sets forth the consequences of an early termination, including a predetermined measure of compensation for the contract being terminated.
 - + Deals with administrative matters like notices, governing law, service of process and other miscellaneous items.
- **Do I have to read the ISDA Master Agreement or can I rely on this summary?** The transaction you propose to undertake is complicated and the documentation must likewise be complex. You or your lawyer should review it carefully and must be familiar with the rights and obligations set forth in the ISDA Master Agreement. This summary is furnished as an introduction and is **not** intended to be complete or accurate and **may not be relied upon** as a substitute for reviewing the ISDA Master Agreement. The ISDA Master Agreement contains provisions which affect the economic rights of both you and Morgan Stanley, and it is important that you understand this document or have the benefit of your attorney's advice regarding the ISDA Master Agreement.

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